



Public Power Council

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January 10, 2005

Stephen J. Wright, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Dear Steve,

I want to make certain that you know that the Conservation Work Group's recommendations will have PPC Executive Committee's endorsement only if all outstanding key issues are resolved satisfactorily.

The Group recommended that BPA retain a rate discount mechanism post-2006. BPA declared that any rate discount would be in conjunction with a resource acquisition program, allowing BPA to decrement customers' Block purchases. This would be a dramatic shift from current practice, and significantly undermine a successful Conservation and Renewable Discount (C&RD) program. BPA has not decremented utilities' loads for participation in the existing C&RD, and the Executive Committee objects to decrementing them in a future conservation rate discount program. (On the other hand, PPC does not object to load decrements under either the ConAug program or under the proposed "bilateral contracts".)

BPA wants to change the C&RD program to a resource acquisition program in order to improve accountability and cost control. PPC lauds this goal, but does not like the method. The Group recommends more rigorous reporting and evaluation standards for a future rate discount program, and recommends re-evaluating the credits for the existing qualifying measures. PPC believes that the Group's proposals will result in lowered costs, and yet still provide adequate incentives to conserve.

The Northwest Power and Conservation Council (the Council) is determining, with very limited utility input, what conservation measures are "cost-effective". BPA is awaiting the Council's list of measures, having declared that the agency will apply any discount only to those measures. We are troubled that the Council, and thereby BPA, will thus dictate what conservation activities utilities should pursue in their service territories. The existing C&RD program supports a broad array of qualifying measures. If BPA restricts the C&RD program to Council-mandated measures, utilities will have a much harder time achieving the higher conservation targets. BPA should support a sufficiently comprehensive set of measures by funding only up to the extent of cost-effectiveness. Utilities need reasonable flexibility in order to achieve meaningful energy conservation.

BPA's budget for post-2006 conservation must be based upon a well-understood set of measures, credits and procedures. It is unclear at this time how much of BPA's budget should be allocated to conservation because the Group does not know what measures will qualify and what level of credits will be associated with those measures. With more information, an appropriate budget can be recommended.

Executive Committee members are willing to meet with you to discuss these matters, if you wish.

Sincerely,

A handwritten signature in dark ink, reading "C. Clark Leone". The signature is fluid and cursive, with the first name "C." being small and the last name "Leone" being larger and more prominent.

C. Clark Leone
Manager

cc: Michael J. Weedall
Paul E. Norman